

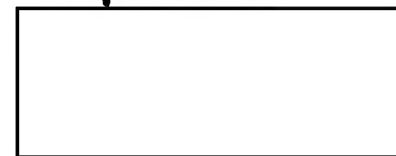
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Peking Mum on Congress

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Although the Western press is predicting a Tenth Party Congress in August, Peking has not broken official silence on the matter. The leadership may not want to say anything officially until after the central committee meets to ratify the decision of the top leadership. There are reports that a central committee plenum will be held in the latter half of July. In the past week the only two central committee members posted abroad returned to Peking, but as of mid-July, a number of province chiefs who would almost certainly attend such a meeting were still in their home areas.

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The Ninth Party Congress was held from 1 to 24 April 1969. A plenum of the party central committee held in late 1968 announced only that a congress would take place at "an appropriate time."

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the congress. The starting date of the Ninth Congress was not revealed until it opened on 1 April.

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Problems with the Prince

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Peking has apparently been counseling Prince Sihanouk to open direct talks with the US before the 15 August bombing halt.

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Chinese officials say privately that they must respect Sihanouk's "independence," but they seem to be using a variety of arguments to persuade him of the wisdom of negotiations. They have probably told him that since "victory" in Cambodia is assured, Sihanouk can afford to make "slight concessions." The alternative, Chinese officials have said recently, is that the US will find some way to continue the bombing after 15 August or to encourage and support military intervention by the South Vietnamese or Thais. One official warned that this would mean further suffering for the Cambodian people and leave Sihanouk, even after victory, with only a "shell of a country."

Chinese officials stress that their relations with Sihanouk are "excellent," but differences obviously exist. If Sihanouk's statements are taken at face value, he is prepared to hold out for total political victory. The Chinese, however, want Sihanouk to start negotiations as soon as possible, and thus remove an irritant in their relations with the US. Peking believes that Moscow may be in the process of shifting its support to Sihanouk and would probably like to see formal talks begin before Moscow has a chance to improve its position by disengaging from Lon Nol.

Public differences between Peking and the Prince showed up clearly in the speeches given by Sihanouk and Chou at a banquet in early July. Sihanouk harshly condemned US bombing as "air raids of genocide," rejected US efforts for a negotiated settlement as "perfidious propaganda," and repeated his demand for a complete end to all US and allied intervention and insisted on the elimination of the Lon Nol "clique." Chou took a much softer line, avoiding all references to the US negotiating position and blandly observing that US bombing was arousing "strong opposition."

Nevertheless, a major split between Sihanouk and Peking is not likely. China has been the Prince's patron since he was ousted in 1970, and there is no other country to which he can turn for real support. Peking will be careful not to push the Prince too hard. An open break now that its three-year gamble on Sihanouk appears close to paying off would be counterproductive. The Chinese may reason that Sihanouk's tough stance may actually help them prevent the Cambodian problem

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from damaging Sino-US relations. Peking can convincingly play the role of a conciliatory lawyer representing a belligerent and unyielding client and take credit from both sides if a satisfactory settlement is reached; should the Chinese be unable to move Sihanouk to an early compromise, they can still present themselves as having exerted their best efforts on behalf of a settlement.

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Early Returns on the Spring Harvest

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China's provinces are beginning to report on the spring crop. This crop, mainly early rice and wheat, accounts for about a third of the annual harvest. Partial figures from widely scattered areas indicate some improvement over a rather disappointing showing last year, largely because of the increased acreage under cultivation.

Peking is nevertheless cautioning against premature optimism. Recent radio-broadcasts from several provinces have stressed the need "vigorously to pursue crash reaping and sowing." This sort of appeal is made every year, but it sounded especially urgent this year. Weather has delayed harvesting and replanting in some areas and yields may be reduced.

The policies implemented in the spring to boost the crop came too late to affect the early harvest dramatically; their full impact will not be felt until the fall or even later. As in the past, thousands of youths and cadres were sent down to the countryside to join agricultural production teams. This year some marginal industrial plants were closed, and the raw materials due them were diverted to enterprises more closely associated with agriculture. The industrial workers thus released were sent to agricultural production teams to provide a pool of skilled labor at the commune level. This program may, in the long run, prove the most beneficial of all.

Given the present concern over harvest prospects, the regime is unlikely to experiment with any radical policies during the growing season. Every effort will be made to apply maximum resources to agriculture between now and the key fall harvest in September and October.

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Civil Aviation Agreements

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Over the past few months, Peking has signed civil aviation agreements with five countries--Norway, Sweden, Denmark, Canada, and Greece--and initialed one with the UK. China now has 19 such agreements with non-Communist countries.

None of the latest agreements will be immediately implemented. Canada and the UK are likely to inaugurate flights this year, but Scandinavian Airlines will not begin flights until sometime next year. China's national airline is waiting for the Boeing 707s it ordered last year before expanding service to Africa and Europe. Flights to the US would be a logical extension of Canadian and European routes.

A major problem for European and North American airlines is the reluctance of Moscow and Tokyo to grant landing rights to flights entering or leaving China. Most airlines believe these landing rights are necessary to make service to China economical. Tokyo will probably relax its restrictions if a Sino-Japanese aviation agreement is negotiated. Talks between the two countries are deadlocked on the issue of Nationalist Chinese flights to Japan. The Soviets may be more receptive to granting landing rights now that they have signed a civil air pact with Peking.

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Pragmatism in Aid

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Peking, now well advanced in its drive to import advanced foreign technology, is making a special effort to adjust its ideological position to accept the idea of foreign aid as a proper tool for economic development. Speaking in Geneva at the 55th session of the UN Economic and Social Council, Chinese delegate Wang Jun-sheng strongly endorsed this idea. Wang acknowledged that developing countries, including China, suffered from inadequate funds and lack of technological know-how. He bowed to the principle that developing nations should rely mainly on their own efforts and that foreign aid should be used only as a supplement. He downgraded the concept of autarky and insisted on "mutual respect and benefit" in aid relations.

Wang also offered cautious and pragmatic advice on the elimination of "imperialist influences" from the economies of developing countries. He pointed out that this was a step-by-step operation and recommended that the developing countries gradually master advanced foreign technologies.

Wang could not resist a swing at the USSR. He denounced those who realize expansionist ambitions by begging funds and technologies from abroad, while they were selling obsolete equipment and technologies to developing countries at high prices and excessively high interest rates.

Wang's speech went somewhat beyond the statements made by the Chinese delegation last April at the meeting of the UN Economic Commission for Asia and the Far East. At that meeting, the Chinese delegate went no further than to explain that self-reliance did not preclude international economic and trade relations and that the Chinese were "ready to learn from the advanced experience of other peoples to make up for our own inadequacy."

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Canton Prices Bring Protests

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There is mounting evidence that sharp rises in the prices of Chinese textiles at the spring Canton trade fair brought widespread complaints and stiff resistance from many of China's best customers. Peking's decision to boost prices was probably based on a number of factors--rising costs of imported raw materials, improvements in the quality of Chinese textiles, increases in world textile prices, currency revaluations by Japan and other major trading partners, and increased Chinese foreign exchange needs. Textiles normally account for between 25 and 30 percent of the annual value of Chinese exports.

US and West European buyers bought smaller quantities of textiles than they had planned because of the high prices. The increased prices were particularly unwelcome to prospective US importers, and even the Japanese, the primary buyers, are believed to have sharply curtailed silk purchases in response to the increases. The recent yen revaluation would have allowed Japanese buyers to absorb some increases, but price boosts on silk, 75 percent and more above fall fair levels, apparently more than offset any gain from the revaluation. The prices of some cotton goods were more than double those at the autumn fair. Many Hong Kong merchants have delayed signing customary contracts for textile purchases and are continuing to negotiate in hope that prices will be reduced. Hong Kong, which ranks second to Japan as an importer of Chinese textiles, normally buys about \$50 million worth of clothing, yarn, fabric, and related articles from China annually.

The over-all effects of the price increases on textile earnings cannot be assessed at this point. Indications that the Chinese were left with substantial amounts of unsold textiles when the fair closed suggest that Peking overestimated the willingness of customers to pay the high prices. There is no evidence that domestic problems with textile supplies have cut Chinese textile export capabilities. Output of wool, silk, and man-made fiber probably increased last year, and massive cotton imports this year are believed to have offset the poor 1972 cotton crop.

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Making Friends

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Last year was a banner year for Peking in terms of international diplomatic recognition. Twenty nations recognized the Peking government, and many of them simultaneously cut diplomatic ties with the nationalists on Taiwan. All of the major industrial powers except the US now recognize Peking, and quasi-diplomatic relations have been arranged with Washington.

The pace has now slowed. So far this year Chinese diplomats have been able to garner recognition from only one new country (Spain), but they have not slackened their efforts to establish diplomatic or trade relations with others. They are trying to persuade African and Latin American nations to enter into diplomatic or trade relations. Vice Minister of Foreign Trade Chou Hua-min arrived in Venezuela on 11 July to settle the details of an agreement signed last November in Peking for the sale of \$23 million worth of urea to China. Since last autumn the Venezuelan Government has been indicating it will establish some form of permanent contacts with China. Venezuelan diplomatic representation in Nationalist China has been reduced to the charge d'affaires level in an effort to let Taipei down gradually. Subject to the vagaries of election-year politics in Caracas, an exchange of permanent trade offices or even ambassadors by December would not be surprising.

Using its tested method of mixing economic blandishments with discreet diplomacy and shows of flexibility on the presence of Nationalist Chinese experts in African nations, Peking is trying to nudge Niger and Upper Volta into relations. China has donated 5,000 tons of grain to each of the two nations to help relieve the effects of the Sahelian drought. Earlier this year, after recounting the difficulties facing Uper Volta, President

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Leadership Notes

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Hua Kuo-feng, the Hunan Province chief now based in Peking, may be the party's watchdog for agriculture. Since May, Hua has met with several foreign agricultural delegations, a function performed at times in the past by alternate Politburo member Chi Teng-kuei. If Peking has switched agricultural responsibility to Hua, it is probably an index of Peking's determination to avoid a repetition of the disappointing harvest last year. Hua was called to Peking after the fall of Lin Piao and has since been listed with leaders just below Politburo level. Chou En-lai reportedly put Hua among the younger leaders who are part of the "successor group." Hua's prospects for Politburo membership at the next party congress are good, but his fortunes may now be tied to the performance of the agricultural sector.

* * *

Among its myriad tasks, the coming party congress may be asked to resolve the status of Kang Sheng, member of the Politburo's powerful standing committee. Kang has been sidelined since late 1970, but unlike other leftists who are clearly in disgrace, Kang's name is kept before the public eye. On 12 July, and on five earlier dates, NCNA reported that Kang sent a wreath to the memorial service of a deceased leader. On each occasion except the last, he was referred to by his Politburo title. Kang did not figure either as conspirator or loyalist in the official account of Lin Piao's alleged coup plot. Leaders currently in good standing have been described as siding with Mao during that event, but the only person to assert Kang actively supported Mao has been Mao's wife, Chiang Ching.

* * *

The Peking rumor mill has named Pai Hsiang-kuo as the next PLA Chief of Staff. In 1970, Pai gave up military duties in Kwangtung to become minister of foreign trade. He has performed well in the job, but Peking is sensitive about the continued large part played by military men in civilian roles. The military man in charge of civil aviation was recently replaced by a civilian. There are some rumors that Pai will merely return to military life. In any case, Pai's success in the foreign trade ministry has probably ensured him a place in the central hierarchy.

* * *

The chief of staff post has been empty since the fall of Lin Piao, and this long hiatus may account in part for the rumored rehabilitation of two former chiefs of staff. A traveler reported that Huang Yung-sheng, the last to hold the job, may be

[redacted]

reinstated to military duties. According to a rumor in Peking, Lo Jui-ching, chief of staff until 1965, will be the next major returnee. Army Day celebrations on 1 August may shed some light on the status of the two; last year Peking used the occasion to bring back two disgraced military men.

* * *

• An NCNA official has reportedly confirmed the oft-rumored rehabilitation of Li Ching-chuan, former southwest regional party boss. The official did not specify Li's new duties, saying only that he is now active. Li has not reappeared in public, but may do so at the party congress. Li's return would be a setback for Chiang Ching, who personally supported two young Szechwan officials jailed by Li. During the Cultural Revolution, Red Guards attacked Li for emphasizing fertilizer rather than politics; Li's policy is more acceptable today given the concern over harvest prospects. [redacted]

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CHRONOLOGY

8-10 July PRC military delegation arrives in Albania to celebrate the 30th anniversary of the founding of the Albanian People's Army. Celebrations also held in Peking, with the anniversary saluted by a joint editorial in *Liberation Army Daily* and *People's Daily*. [] 25X1

9 July Advance party preparing French President Pompidou's scheduled fall visit to China departs Peking. [] 25X1

10 July China recognizes independent Bahamas. [] 25X1

Peking celebrates 12th anniversary of the PRC-North Korea treaty of friendship, cooperation, and mutual assistance. [] 25X1

11 July Pai Hsiang-Kuo, Kuo Mo-jo, and Liao Cheng-chih, give red carpet treatment to Kaheita Okazaki, head of the Japanese Memorandum Trade Office in Peking. [] 25X1

Chiao Kuan-hua meets visiting delegation of overseas Chinese scholars and students now living in the US and Europe. [] 25X1

Vice Foreign Minister Han Nien-lung and others attend reception at the Mongolian Embassy celebrating anniversary of the Mongolian revolution. [] 25X1

11-18 July Vice Minister of Foreign Trade Chou Hua-min visits Venezuela, signs agreement for purchasing Venezuelan fertilizer, returns home via Madrid and Paris. [] 25X1

13 July Chinese table tennis team returns home after visit to Malaysia, Thailand, and Burma. [] 25X1

14 July Foreign Minister Chi Peng-fei and Vice Foreign Minister Chiao Kuan-hua attend Bastille Day celebration at French Embassy. [] 25X1

Delegation of Southwest African People's Organization led by President Sam Nujoma arrives in Peking. [] 25X1

16 July Canada and China reach agreement on reciprocal registration of trademarks. [] 25X1

NCNA publicly identifies Liu Hsiang-ping as the new minister of public health. Liu was identified privately in the position a month earlier. [] 25X1

Sino-Soviet civil aviation agreement provides both Chinese and Soviet service between Moscow and Peking. Aside from annual trade protocols, this is the first Sino-Soviet agreement since 1969. [REDACTED]

17 July

The rebuilding of province-level Youth League committees was completed with the formation of committees in Sinkiang and Szechwan. The process began last February. [REDACTED]

Mao Tse-tung and Chou En-lai meet with visiting Chinese-American physicist Dr. Yang Chen-ning. [REDACTED]

North Vietnamese newspaper delegation arrives in Peking; group is feted by *People's Daily* staff. [REDACTED]

Teng Hsiao-ping, Vice Premier of the State Council, receives visiting Nepalese Princess Shoba Shahi. [REDACTED]

19 July

Peking contracts for 500,000 tons of US wheat at a price of \$74 million. [REDACTED]